

**COMMITTEE ON ACCOUNTS, ENROLLMENT
AND REVENUE ADMINISTRATION**

March 15, 2005

4:30 PM

Chairman Smith called the meeting to order.

The Clerk called the roll.

Present: Aldermen Smith, Guinta (late), Osborne, Shea

Absent: Alderman Thibault

Messrs.: R. Sherman, F. Thomas, J. Shaffer, G. Simmons, K. Clougherty,
K. Dillon

Chairman Smith addressed Item 3 of the agenda:

Communication from Guy Beloin, Financial Analyst II, submitting the City's unaudited monthly financial statements for the eight months ended February 28, 2005 for FY2005.

Randy Sherman, Deputy Finance Officer, stated seeing that I gave you good news in February, I have to be the one to come back in March and give you the bad news. Who knew we would get three feet of snow in the last month? Actually we are not doing too bad in all honesty. The real area that we have is with the Highway Department and Frank Thomas is here if you would like him to address his budget directly. We met yesterday with Frank and the Mayor and discussed his budget. Right now we are anticipating about a \$520,000 shortfall in the Highway Department budget. We would like to make a proposal to the Committee on how we would like to handle that. Roughly \$175,000 of that is worker's compensation. So that would actually get funded out of the worker's compensation reserve. That would leave us with a projected shortfall of \$350,000. We would like to take \$225,000 out of the salary adjustment account and \$125,000 out of the contingency account. What that will do is leave us with about \$215,000 in the salary adjustment account for the balance of the departments. As I told you back in February, I only have a handful of departments that are really in trouble on the salary side and I think that will be sufficient. It would leave us with roughly \$125,000 still in the contingency account. So that is the proposal that I want to lay on the table for the Highway Department. I don't know if you want to discuss that before I go back and talk about the rest of the reports.

Alderman Osborne stated I have one question. This \$520,000 is that with or without the 2% hold back?

Mr. Sherman responded that is with the 2% hold back. They have absorbed all of that within these numbers.

Alderman Shea stated naturally we want to make sure that all of the workers are paid and so forth. Do we have to come up with the money now Randy or do we have to come up with it before the end of the year?

Mr. Sherman responded it is before the end of the year.

Alderman Shea asked so what you are saying is that right now we will have to fund the Highway Department \$520,000, which I am obviously in favor of but the timing of it is that it will be paid off at the end of the present fiscal year or before right.

Mr. Sherman answered yes. Frank still has three and a half months of appropriation left in his budget. He still has a balance close to \$4.5 million. It is not imperative that it gets done tonight. You may want to wait out the rest of the winter and see if the number actually grows or something else happens. That would be the proposal.

Chairman Smith stated before I call Frank up there are a couple of departments who are in difficulty and are you saying that they can recover.

Mr. Sherman responded well like I said that will leave me with about \$225,000 left in the salary adjustment account to help those departments and if anything catastrophic or of a minor catastrophic nature happens we still have \$125,000 left in the contingency account.

Chairman Smith called Frank Thomas forward.

Frank Thomas, Public Works Director, stated I believe you have been given a status report on the shortfall. It is in two parts. The first page is noted as the snow budget. The snow budget is basically made up of two items – overtime and salt. There are other line items in our operating budget that are affected by snow. Obviously fuel. The more times the trucks are out the greater the fuel costs, repairs and whatnot but the two big items for snow are overtime and salt. As you can see at the top we budgeted \$1,032,425 for snow. We have had 21 storm events plus one major snow removal operation in the downtown. In the bottom right you can see that we are over in the snow budget by \$487,598. That is 47%

over the budget. Again, that is just an indicator that we have because the news media likes to know how much we have for a snow budget, but it is not an all inclusive snow budget. The last two pages are our budget. What we have done is taken a look at our spending to date and projected until the end of the year. What I would like to do is try to run down those last two pages with you. If you look at your second page that is noted 2005 Budget Projection Week 36, you will see the first pink highlight is worker's compensation settlement of \$85,000 (a negative). That was a cash settlement that was arrived at due to a worker's compensation claim. That is something that is not budgeted from the beginning in our operating budget. It is settled outside of our department but it is charged to our operating budget so that was a hit of \$85,000. The next line item is overtime. You can see that that is \$253,000. If you compare that overtime to the overtime that shows on the snow budget you will see this is a large number. As I mentioned, the snow budget doesn't pick up all costs. When we have a major plowing operation we have to take some of our scavenger people and put them out on plows. The following day, they go out on their regular scavenger truck picking up trash. They may be still on overtime. They may be on overtime at time and a half. There are other overtime costs that get added into that overtime number as a result of snow. If you go down the page near the bottom of the page, you will see line item 615 Gas, Oil and Diesel. You can see that we are projecting a shortage of about \$78,000. There are two reasons. As you know, fuel costs are at the highest and as I mentioned a little earlier when we have to send out our equipment for all of these different snowstorms it is consuming gas and that is why we have that overage in that line item. If you now turn to the last page, the highlighted line item 681 Salt, you can see that we are \$318,748 projected being over in that line item. There are two reasons why that line item is over. If you remember in the fall when we received our bids, bids for salt were 33% higher this year. It pretty much ran from \$30 to \$40 a ton. Then, of course, with all of the storms that we had that line item is way over. Even though we may only get a 4" storm, we use as much salt as if we had a 12" storm so 21 storms used up a lot of salt. Down near the bottom of the page under Benefits, Randy mentioned it but line item 214 Worker's Compensation, that pays for medical costs and whatnot. You can see we are projecting a shortage in that line item of about \$90,000. If you actually took those pink line items that I highlighted and added them up, those shortages come to \$825,000. As you can see, we are actually only short \$520,000 because we have been able to make-up some of those shortfalls through other line items. We had budgeted \$50,000 for equipment. \$40,000 of that equipment we won't be purchasing. We are going to defer purchasing that. There are other line items like that that we have deferred or we had some positive balances in that have been able to knock that \$800,000 shortfall down to \$520,000. As Randy noted, he has identified \$525,000 worth of sources to cover this shortfall. That is a little bit more than that \$520,000. That is because we are out removing snow off of Elm Street for the St. Patrick's Day Parade. We are bringing in a small crew

approximately three to four hours early for the next couple of days so there is some additional cost. Now this shortfall that we have identified here of \$520,000 assumes we are not going to have anymore snowstorms and there is not going to be anymore bad weather related events and that there are no surprises until July 1. The reason why I have approached the Mayor's Office and the reason why we are here tonight is that when we are looking at a \$525,000 shortfall we want to make sure that the Board of Mayor and Aldermen and your Committee are aware of it and that the Mayor's Office and Finance have identified adequate reserves and balances to cover the shortfall because I don't want to come to you at the last minute and say we have a problem because we do have a problem.

Chairman Smith stated that is what we are trying to avoid. We would rather have you go before the Mayor and Finance Department and report to us and then the full Board. One question I do have and it struck me back years ago and that is on page 2, worker's compensation settlement. How come that doesn't go to Risk Management?

Mr. Thomas responded I can answer that and then maybe Randy can finish it up. The way it has always been explained to me is that it is an operating cost even though it is not budgeted for. If you have sufficient funds because of savings in other areas, you should cover it out of your operating budget because it is an operating cost. However, there is a reserve and I will let Randy talk about that.

Mr. Sherman stated Frank is right. In order to get proper accounting we have to charge those costs to the department that in essence has incurred those costs. It was several years back or maybe six or seven at this point that we...we used to lumpsum budget for worker's compensation, health insurance and those things and we put them in the individual departments so we could get proper accounting on them. It also gives the departments the incentive maybe to spend a little bit more money on safety and, thereby reduce the worker's compensation. As Frank said, Harry does have a pool of funds, a worker's compensation reserve that if the annual appropriation is not sufficient to cover whatever the worker's compensation claims are City-wide than he can tap into that pool of funds. Again, it clearly...as Frank showed you on the bottom he had a worker's compensation budget and he is going to exceed that one as well but those are types of things that we can then go to the pool and pull those dollars out.

Alderman Shea stated for the sake of a comparative analysis here, your budget for snow removal is much higher than other years. Comparatively speaking how does that contract with say the last five years? In other words, not that we can do anything about it but I am just wondering.

Mr. Thomas responded first of all my snow budget for this year was less than last year's budget. In addition to that, because of the 2% cut across the board in the budget and the 2% COLA that wasn't funded my overtime line item, quite frankly, was down 4%. In addition, my salt budget because it remained the same as last year and there was a 33% increase in the cost of salt, again that line item was cut. So dollar wise my snow budget this year was less than last year but on top of that the snow budget was further reduced because of the increase in the cost of salt and the fact that we had the 2% cut and didn't have the funding for the COLA.

Alderman Shea stated but we are adding so much more to it now. What I am saying is how does that contract with the other years?

Mr. Thomas replied \$500,000 is probably more than we had in about four years. About four years ago we had a similar type of winter. At that time I had \$300,000 in my operating budget for resurfacing, which I was able to allocate to that shortfall and I had some other areas that I was able to allocate to the shortfall. I didn't need to come to the Board of Mayor and Aldermen like I have to do this year.

Alderman Shea stated what I am trying to get at is according to a Boston channel this is the fourth worst amount of snow at least from...

Mr. Thomas interjected that is in Boston. I don't believe...from what I understand we are like 15" or 18" of more snow this year over the average. This is an above average year but quite frankly I wouldn't consider this a severe winter from a snow fall depth. As I mentioned we had 21 storm events. That is significant. Typically when I put the snow budget together we figure on somewhere between 10-12 average storm events. This is above average both depth wise and the number of events. Quite frankly that is what hurt us this year more than the depth of snow is the number of events.

Alderman Osborne asked how is the stockpile on the salt as it stands right now.

Mr. Thomas answered Manchester has not had a problem with salt. Even though you might have seen cartoons or whatnot, other municipalities in the state had problems. Our supplier early on we talked and had a good working relationship with Granite State Minerals over the years. They did notify us weeks ago that they were having some difficulties with deliveries but within two days they told us we would not be affected and we haven't been affected. Right now our storage bin is completely filled and they want to sell us more and we are telling them no we don't want anymore. That is not the case with many other municipalities. They ran out and couldn't buy salt. They were buying salt on the market at anywhere from \$60 to \$80/ton when they could get it. A lot of municipalities were so

desperate that they approached the state and asked the state to borrow some of their salt and the state didn't really have any to give them.

Alderman Osborne asked do you still have a sand and salt pile and straight salt.

Mr. Thomas answered yes. We have sand/salt and salt.

Alderman Osborne asked and they are both adequate right now.

Mr. Thomas answered yes they are more than adequate.

Alderman Osborne asked and that is included in this figure.

Mr. Thomas answered we don't get charged for the use of the salt until we get it down on the street. It goes into inventory. We buy it and put it in inventory which is on the budget somewhere and when we actually take it and put it down on the street that is when it gets charged to our operating budget.

Alderman Osborne stated eventually you will use it that's for sure.

Chairman Smith asked Mr. Sherman to repeat the proposal for Alderman Guinta who arrived late.

Mr. Sherman stated if you look at Frank's worksheet he is showing a deficit of \$520,000 and we were talking about trying to get the sidewalks and downtown cleared for the parade on Sunday so we are looking at about \$525,000. \$175,000 of that will come from the worker's compensation reserve, \$85,000 for that lumpsum settlement that Frank talked about and \$90,000 on the regular worker's compensation line. That leaves a \$350,000 shortfall. \$225,000 of that will come from the salary adjustment account or it is proposed to come from the salary adjustment account, which will leave a number just under that for the balance of the departments and \$125,000 will come from contingency. Again that will leave roughly another \$125,000 in the contingency account to get us through the next 100 days.

Alderman Guinta asked the \$90,000 comes from where.

Mr. Sherman answered that is from the worker's compensation reserve.

Alderman Guinta asked what is the \$175,000 then.

Mr. Sherman answered the \$175,000 includes the \$90,000 and the \$85,000. The \$85,000 is the lumpsum, which is on page 2 of the handout.

Alderman Guinta asked so \$175,000, \$225,000 salary adjustment and \$125,000 from contingency.

Mr. Sherman answered right. That adds up to \$525,000 and again does not cover any future storms.

Alderman Guinta stated so theoretically that \$525,000 could have been used to lower next year's taxes.

Mr. Sherman responded that is right. Well let me correct that. With the exception of the worker's compensation reserve because that would stay in the reserve. It wouldn't be eligible for fund balance.

Alderman Guinta asked why is that eligible for this but not eligible for...

Mr. Sherman interjected it is there...because we are self-insured we are required to have reserves.

Alderman Guinta asked didn't we have this discussion during the budget session about the appropriate level of the comp reserve. I think myself and a couple of others wanted to reduce it a little bit.

Mr. Sherman answered right but every year the Risk Manager goes out and gets an actuarial study on his reserves and our reserve at the end of the FY04 period was 100% funded. If you had pulled dollars out of that you would have been under what your actuarial was telling you you should have been at.

Alderman Guinta replied but that is what we are doing.

Mr. Sherman responded no. That is why you have a reserve so if you have worker's compensation costs you are assured to have those dollars there to pay them. Now at the end of this year Harry will go out and get another actuarial to see where those reserves should be and it will either be under funded or if we are over funded then we bring it down to the funding level.

Alderman Guinta asked what was that reserve funded at total.

Mr. Sherman answered I don't have that in front of me.

Alderman Guinta asked was it like \$800,000.

Mr. Sherman answered it is closer to \$2.7 million.

Alderman Guinta asked do we know how much at the end of the year we are overfunding that account.

Mr. Sherman answered we don't until the new actuarial report is prepared. When they do that report next year, whatever Frank's lumpsum payment was will come off of that report so there is a possibility that the level could go down. Obviously there are new injuries that change things.

Alderman Guinta asked so you are assuming that we are at least +\$175,000 because we are taking \$175,000 out.

Mr. Sherman answered yes. Again, the reserve is set at \$2.7 million.

Alderman Guinta stated again I guess this is an issue to be addressed some other time. I am going to renew my concern that that reserve appears to be too high to begin with. Maybe we can address that...maybe there is a way that we can better prepare for that reserve. My sense is that, my thinking is that if we don't have to reserve the \$2.7 million and can reserve dollars...

Mr. Sherman interjected it frees up dollars. That is a discussion to have with Harry some evening.

Chairman Smith stated just to follow-up on that line what happens if you don't have enough in the reserve.

Mr. Sherman responded again what we would do is in a subsequent budget we would budget excess dollars to help get that reserve back up to where it should be.

Chairman Smith asked are you asking this Committee to accept your proposal to go to the full Board or just for informational purposes.

Mr. Sherman answered it is really your choice on when you want to proceed with it. You can either pass this and give Frank a few better nights of sleep in the short term or hold off and see if the numbers should happen to change either up or down. It is really the Committee's choice on how you would like to proceed on that.

Alderman Osborne asked how would it go down.

Mr. Sherman answered it could possibly go down if you check...I mean Frank is still projecting a certain number of expenditures over the next three and a half months so there is that possibility. The classic case is he has \$100,000 in there for

worker's compensation and some of those numbers could possibly come in less than what he has projected going forward.

Alderman Osborne asked do you think we should move on this \$525,000 now so that we will have it for this as opposed to spending it on something else in the future.

Mr. Sherman answered yes I think you should probably move this one along and get this issue taken care of and then that gives us clear numbers that we have for the balance of the year.

Alderman Osborne moved to approve taking \$175,000 from worker's compensation, \$225,000 from salary adjustment and \$125,000 from contingency to cover the \$525,000 shortfall in the Highway Department's budget for snow removal. Alderman Shea duly seconded the motion.

Alderman Guinta asked the \$225,000 from the salary adjustment account, on the first page of the Week 36 Budget Projection where it says...is it coming out of 0110.

Mr. Thomas answered no. That will wind up going into the...well it will go into the overtime line item.

Alderman Guinta asked so it is coming out of line 130.

Mr. Thomas answered no it will be going into 130. That money is coming out of the salary adjustment reserve that was set aside for the COLA that we weren't given.

Alderman Guinta asked so that is not on this handout.

Mr. Thomas answered correct.

Mr. Sherman stated if you actually go to the report that Guy prepared, page 1, it is actually down in that second section where it says Salary Adjustment.

Alderman Guinta asked so we have \$500,000 in there.

Mr. Sherman answered yes but that \$500,000 does not reflect the \$77,000 that had been transferred to the Police Department, which was just done last week as well. Right now we are at looking at about \$415,000.

Alderman Guinta asked so that minus the \$225,000 leaves us with a few hundred thousand. What do we plan on doing with that?

Mr. Sherman answered that will be left there to help the balance of the departments get through the year. Again, the other departments...as Frank said we didn't budget COLA's within their departmental budgets. A number of the departments are absorbing that COLA and those that can't absorb it that is what we will use the balance of the \$200,000 for.

Chairman Smith called for a vote. There being none opposed, the motion carried.

Mr. Sherman stated the only other think I would like to point out is if you go to pages 7 and 8, which are dealing with the revenue side page 7 actually compares last year's actual with this year's budget and if you go to the bottom right hand column you see the 4.38% increase. That is what we had budgeted coming into this year and if you turn over to page 8 you will see the eight months of last year versus the eight months of this year and you will see that we are only at 1.67%. A couple of things I want to point out. Last year's number included the money that we had from the sale of the Canal Street garage, which was a one-time revenue that kind of skews the numbers a little bit. The other issue is and Guy has them highlighted down at the bottom there, the bottom line where it says Miscellaneous is showing that it is short \$684,319. Again, that is because the garage revenue was in there last year. The line right above that is the school chargeback and in talking to the School District and talking to the departments that deficit is, in essence, going to go away. They may be a little short but some of the departments are just behind in their billings so when you compare month-to-month they are not matching up. We have done a number of projections that take us out through the end of June and again as I told you in prior months I don't see a problem in meeting this year's budget on the revenue side. That is the good news that we can bring in today. We are not going to see multi-million dollar surpluses on the revenue. Again, we think we will be meeting that budget.

On motion of Alderman Osborne, duly seconded by Alderman Shea it was voted to accept the report.

Chairman Smith addressed Item 4 of the agenda:

Communication from Sharon Wickens, Financial Analyst II, submitting reports as follows:

- a) department legend;
- b) open invoice report over 90 days by fund;
- c) open invoice report all invoices for interdepartmental billings only;

- d) open invoice report all invoices due from the School District only;
- e) listing of invoices submitted to City Solicitor for legal determination; and
- f) accounts receivable summary

Joanne Shaffer, Second Deputy Finance Officer, stated I am filling in for Sharon tonight and would be happy to answer any questions you may have.

Alderman Osborne asked can you explain this starting with item a.

Ms. Shaffer answered basically item a is the department legend. That tells you what number you have to look at to refer to a certain individual department as you are going through the report. Item b shows all of the open invoices that are over 90 days old and basically they are filed by fund in that particular report.

Alderman Osborne asked how many do you have at this particular time.

Ms. Shaffer answered from a numerical standpoint these are broken down by the actual charge codes. I would say based on the pages here there are probably 500 to 1,000.

Alderman Osborne stated they are all in good standing or pretty much.

Ms. Shaffer replied for the most part. The ones that are delinquent are listed on the very last page and that is where Sharon has worked hard to see if we can collect on some of these that have been delinquent for a longer period of time.

Alderman Osborne asked what about the legal determination from the City Solicitor. How are those coming along?

Ms. Shaffer answered I know that Sharon has been working closely with Tom Arnold who is seated in back of you. I think they are looking at a lot of the Highway billings that are currently do for worker's compensation that is due back to the City. Tom could probably fill you in better relative to that.

On motion of Alderman Shea, duly seconded by Alderman Guinta it was voted to accept the report.

Ms. Shaffer stated I have one more comment. Usually we invite an individual from one of the departments to further discuss some aspects of their receivables. Gary Simmons has been invited this evening from the Police Department.

Chairman Smith stated I asked the Police Department to make a presentation. This Committee is very concerned about the police accident reports and records. There are 22 different insurance companies that owe \$2 or \$3 or \$6. We don't understand why you can't collect the money before you give them a copy of the report. It is very hard to go after somebody for \$2 or \$3 but it is over \$1,000 with these 22 insurance companies. We are trying to see if you can initiate a program where you have to pay to get the report.

Gary Simmons, Deputy Chief of Police, stated the last time I was here, which I believe was last summer, that was a consideration. Since that time what we did is we looked at the total amount of revenue we take in on such reports versus what was left and we tried to identify some of the reasons we were losing out on some of this money as it was. One of the things we did was we took two of our personnel from the Traffic Division and one of the records people and we altered their duties a little bit and changed the way of doing business. Since that time and the reason we did that was to try to recoup this money a lot quicker than we were in the past. Since that time you will probably note that the accident reports from insurance companies that go to both the Traffic Division as well as the Records Division has improved considerably. Very few are outstanding from 2004 to 2005. In fact, it is a very limited amount of money as far as that goes. Not that a small amount of money isn't important just like anything else that is revenue producing but it has improved considerably. Rather than alter the whole system we decided to continue in that phase and since that time everybody has been pretty happy that it has been working. There are a limited amount of people out there who haven't paid on a regular basis. We do collect a lot of money. Sometimes we find that it has been a clerical error on our part and sometimes it is a clerical error on their part but in conjunction with working with the insurance company it has improved. We would like to continue along those lines at this point to see if we can continue to make it a better system than it was. I have kind of looked at some of the old accounts and certainly the Committee had a question about them last time. Some of those they continue to say were clerical errors from 2002 and 2003, software errors and not understanding the system at the time. Again, we have kind of changed that since. To go back and try to resolve those problems through the system would be a lot of man-hours for what some of those old files would be – like \$100 or so. They have a concern about just spending the man-hours on those small amounts. Again, I think most of those issues have been addressed and you won't see those again.

Alderman Osborne asked what would you say it costs to process these accident reports. It has been \$5 for a long time hasn't it?

Deputy Chief Simmons answered at this time I think the current ordinance is \$10 for the first two pages and \$1 for each additional page. We changed the ordinance two years ago I believe.

Alderman Osborne asked and you still think that is sufficient.

Deputy Chief Simmons answered yes.

Alderman Shea stated you explained what you are doing now but is there a process to get any money back from the sources that owe money. Do you keep reminding them when they come in that instead of paying whatever their current amount is there is a little bit extra like Amica or whatever their insurance?

Deputy Chief Simmons responded again the clerical changes have made a big difference in personnel and a better understanding of the system so that has improved it considerably. Yes, on occasion and one of the examples in there I believe is Metropolitan and like everybody else they have personnel changes. All of the sudden you get a new person on the phone and they don't understand the system and it takes a few months for them to figure it out. Their billing, for whatever reason, gets confusing. Sometimes the invoices just get confused but we have worked with them on a regular basis and we actually have collected some of that money.

TABLED ITEM

5. Tuition Reimbursement Program.

On motion of Alderman Shea, duly seconded by Alderman Osborne it was voted to remove this item from the table.

Alderman Shea stated I think that the different departments should have gotten together. Are we ready to move to approve this?

Chairman Smith stated my recommendation would be to receive and file this because apparently we have a lot of problems. I have letters from the Airport, Water Works, Highway and Finance. We can probably ask a few of the individuals who are here tonight to express their opinion.

Alderman Shea stated I think what we ought to do as time allows is to get a general consensus as to who is on first so that we will understand what the problem is.

Chairman Smith called Kevin Dillon forward.

Alderman Shea asked what is the problem here with the tuition reimbursement in your opinion.

Kevin Dillon, Airport Director, answered I think the policies that were submitted to you for both employee development and tuition reimbursement the Airport fully concurs with. I think the concern that we had relates more to the audit and that some of the audit findings are contrary I think to the new tuition policy that is being put forward. I think the issue as I see it is there is a question whether or not a department can utilize tuition reimbursement for sending someone to a college course as part of employee development or should that be held exclusively as tuition reimbursement and then fall under the tuition reimbursement guidelines. I would assert as a department head that it is the department head that is in the best position to make a determination as to what a particular employee needs for development purposes. If a department budgets and has sufficient employee development funds then I do believe sending somebody to a credit course or in some cases a full degree program is an acceptable use of employee development funds. I think the distinction becomes when the department believes it is in the best interest for an employee to take that type of training versus the employee himself making that determination that for his own personal gain or own personal interest wants to pursue doing that.

Alderman Shea asked is your situation different from Water Works or the Highway Department or the Police Department. Where are the differing views coming from? Is your view consistent with the other departments or is there a differing point of view here that is causing...

Mr. Dillon interjected I can't really speak for the other departments and I don't want to speak for Human Resources either although conversations that I have had with the Human Resources Director I think she is more aligned with the opinion of the Airport but I think she can certainly speak to her own opinion on this. I think the difference that I am seeing comes from an interpretation by the Finance Department and the auditor.

Chairman Smith asked Kevin Clougherty to come forward.

Kevin Clougherty, Finance Officer, stated regarding tuition and employee development the Board adopted policies. It is our understanding that you have two separate policies. You have one for tuition and one for staff development. Those have separate applications. Our understanding is...and there are certain rules for each one as to when tuition should be used and when staff development should be used. We don't think they are interchangeable. We don't think it was the intention of the Board to have them interchangeable or you would have one

policy and you wouldn't be capping these dollars. That is what it comes down to. When the Board adopts a policy we enforce what you have adopted. We don't think it is at the discretion of the department head or the Human Resources Director to say well you can move it from this account or that account. We think there are very clear guidelines and if they are not clear then the policy should be straightened out. That being said, I will give you an example with respect to travel. There is a policy that you adopted on travel. We follow that policy in Finance and charge the different line items accordingly. However, if somebody comes in as part of that policy and says we think there is a special circumstance or some reason where there should be some type of waiver, they don't come to...it is not the department head that makes that determination that the waiver is going to be granted and it is not the Finance Director or somebody else. We bring it to you. It is your policy and the Board makes the decision. Now we think that going forward with the new budget year the policies that you have adopted are straight forward and clear and going forward in the next fiscal year there shouldn't be any problems because people understand what those policies are and they should budget accordingly. Remember this policy is...we are kind of putting it in mid stream here so starting with the new fiscal year there shouldn't be an issue. I understand that there are some questions this fiscal year with respect to how these dollars can be used and I understand that given the tight budget we are in there are some departments that would like to see those dollars used perhaps a little inconsistent with the policies as we understand them. I will remind the Board that under the Charter it is the Finance Officer that is responsible for the accounting and control. Once you adopt the policies it is up to the Finance Officer under the Charter to make sure that things are charged properly to the various accounts. If the general consensus of the department is that they want to have some flexibility to pick and choose between these policies then those policies have to be drafted accordingly. Our suggestion is that the policies as you have adopted and as I think the Airport Director said when he came up at the beginning of his talk the policies as adopted are fine moving forward. We do have some outstanding issues with respect to how people want to use them for the current year and that was the subject of the audit. Our recommendation would be to keep the policies as they are. We will work with the different departments in terms of their budget issues but we are going to make certain...certainly if the Board wants to have these overlapping so that people can make some determinations you should write that policy. Otherwise, it should be the Aldermen and a committee of the Aldermen making that determination in our opinion.

Alderman Shea asked can you give me an example of how the policy has been abused or in your judgement what happened that would cause a department head to say look...an example was given whereby somebody from Information Systems came in and say I can send a person to the Technical College at a cheaper rate than it would cost to send them to another college and they would fulfill their

obligation of staff development plus at the same time that would help them to grow in their degree responsibilities. Where have you found this difficulty?

Mr. Clougherty responded in that particular one we have written to Information Systems and said if that is the case show us that that is part of their curriculum. If they are already receiving tuition reimbursement...understand that under the tuition program the employee gets reimbursed a certain rate and under the staff development it is a different arrangement. If Information Systems comes back to us and says yes we have a person in a tuition program at Southern NH University and they are taking a programming course and that fits into their arrangement for that degree then that really should be out of the tuition. Even if it is a lower amount it should be out of the tuition fees. If, on the other hand, you are saying to the employee I am making you take this course now which is not available under your tuition program then that would be staff development and that is what we look at. That is why all of our correspondence says it is a documentation issue. If you can show us the documentation that this is in fact a staff development item that is not available on tuition then great but we have not received any of that documentation from the departments.

Alderman Shea asked how does that differ from their situation. How does your position differ from their position?

Mr. Clougherty answered again Alderman we feel that the tuition program is a particular program. If you are going to go and get a degree that is going to...

Alderman Shea interjected what are they saying that is different from what you are saying.

Mr. Clougherty responded to be honest Alderman we have sat through a number of these discussions and we are having a hard time sorting out what they are saying. Our position is the policy was adopted and it is very straightforward in terms of tuition and how that is applied and salary and staff development. We don't see them as overlapping programs where somebody can come in and interchangeably say well in this circumstance we are going to give some employee 100% and we are going to give somebody else something else. We think that discretionary action is not in the best interest of the employees and fairness and it is not what you adopted. If you want to have these used interchangeably then you could state that in your policy. I guess if you are going to have them used interchangeably then there is no cap. If you don't want to have them interchangeable but you want to deal with these on a one-on-one basis so that Information Systems would come in and plead their case to you and you make the determination then to me that would be the better course of action. I don't think it is something where department heads or HR or Finance for that matter should be

deciding. It is like with the travel. If the Fire Chief came to me and said I want to send somebody to a conference and it is not quite in compliance with the rules and I say well okay I will let that go that is really not how we do that. We bring it back to you and if you make a determination that that is okay then we pay it. At least it is disclosed and you don't get into a situation where department heads are making those types of policy decisions that I really feel belong to the Committee.

Alderman Shea asked has anyone to your knowledge abused this situation to the point where they have tried to convert staff development to tuition or tuition to staff development or is it just speculative.

Mr. Clougherty answered no that is part of the issue. I think in part it has been as we have said over the last several months it is because we didn't have clear policies. Now that you have clear policies going forward...again I don't think there is a problem moving forward. A lot of the issues that I have heard are pre-policy adoption that people want to try to back into and use the funds. I know that I heard people say well he is being hard on us but they should be following the policies as we understand them and as they are written. If it comes down to choosing between one policy or another we don't think that is the discretion of the department heads. We think that somehow that has to come back to the Board. From a straight accounting standpoint as the Finance Officer the way the policy is written now that is the way we are charging. I understand that is maybe a problem for some of the departments given the current budget constraints.

Alderman Guinta asked is it safe to say that the tuition reimbursement is a benefit and that staff development is more of a requirement as determined by the department head.

Mr. Clougherty answered yes I think that is fair.

Alderman Guinta asked and the tuition reimbursements are required in labor agreements.

Mr. Clougherty answered in some I believe they are.

Alderman Guinta stated that clarifies one issue. The other issue I have is you said that the policy should rest with the Board or the Committee as opposed to with the department head. On tuition reimbursement how is it resting with the Committee or the Board if it is a benefit already agreed to in some of the labor contracts?

Mr. Clougherty responded if somebody is enrolled in a course for tuition and apparently as part of that course there is a curriculum that says this is what I am taking and these are the courses that are available. If I as a department head come

over to you and say I want you to take a course and it is separate from what your tuition is then the City should pay for that. That is staff development. In these cases what we are saying to people is show us where that is different. Show us where you are not using staff development to pay for a course for your employees that is part of their tuition.

Alderman Guinta replied I am not sure I understand that.

Mr. Clougherty responded if you are enrolled in a course...

Alderman Guinta interjected if I am an employee of a department, if I work for you and you are telling me Frank you have to...

Mr. Clougherty interjected no if you are an employee in the Finance Department and you are enrolled at NH College for an accounting degree and you are getting tuition assistance I come in to you and say all right I want you to take a course that is not related to what you are taking. It is not part of that curriculum. It is separate. Then fine that is staff development and we will pay that. On the other hand if somebody is taking an accounting course or taking courses toward an accounting degree and I as a department head want them to take Accounting II and pay for that out of staff development then that employee is getting 100% benefit and what happens is two things. One, the individual gets a better break on the amount that is paid for the course and two they get in terms of aggregate an amount of assistance towards that degree. We don't think that was the intent of this policy to allow for those types of things to happen. We asked people to tell us why this is staff development and this is tuition and if you can't give us the distinction then the course that the employee has taken is part of their tuition and it is not eligible. Those are the types of questions you get into. If somebody comes in on the travel policy and says I want to go to Boston there are some times that it makes sense to stay overnight. As you know because we have brought forward to you for that to happen because the courses start at 7 AM well somebody is not going to get up and be there for something that early.

Alderman Guinta asked why wouldn't they.

Mr. Clougherty answered there are times that you have let them do that. If it is a two-day thing they would have to come back and go again the next day and it just doesn't make sense. There have been times when this Committee has allowed people to waive that because it made sense but those decisions, I think, are better made at your level and not by us because you have adopted particular policies. If that is what needs to be put into these policies, that is what I would recommend.

Alderman Guinta asked is it your contention that there is a savings to the City by keeping them separate.

Mr. Clougherty answered yes I think there is a control. I think there is a cost there and I think it is a fairness issue for the employees. If I am a particular department head and I am inclined to say to my employees who are in tuition programs that I am willing to take some of the staff development money to pay for some of those items that are in your program because they are "staff development" and I am requiring it, we just don't think that is what the intention was.

Alderman Shea stated I am not quite clear. Let's assume a person has an Associate's Degree in Accounting and they want to get an additional amount of accounting experience to get a full degree.

Mr. Clougherty responded they enroll in a program and are eligible for tuition assistance.

Alderman Shea stated the department head then has the prerogative to say you can go and further your education by taking those courses. In other words, don't we want the people to be well educated here?

Mr. Clougherty responded absolutely Alderman.

Alderman Shea asked so you are agreeing with me that that department head would have the authority in that case is that correct.

Mr. Clougherty answered we have that all of the time in our department. If people come to us and say they want to pursue a degree...

Alderman Shea interjected in their selected field...

Mr. Clougherty interjected right then they are eligible for tuition assistance in that case and that is fine. What doesn't happen is that same employee comes to me and says all right I am eligible for \$800 worth of tuition assistance this year and based on that I am going to take three or four courses. If you say I have to take Accounting IV as part of that degree I am in I can get 100% payment from staff development. We just don't think that was the intent. We think the intent of staff development is something particular for a certificate or training. If you are in the accounting area and there is a new piece of software that is coming out and there is a training program going on by Accountemps or something like that and you go to their training session and they are going to give you some particular expertise that is what staff development is for. It is not for the tuition and they shouldn't be mixed. That is our understanding of the policy.

Chairman Smith stated my observation is we have department heads and department heads are hired to run their department and if they see fit to enhance an employee's skills then they should be able to do it rather than going to a second party. I don't want to have to make a decision on the Board of Mayor and Aldermen because Johnny is related to somebody and wants to go to Southern NH University for accounting. I don't want that. I think the department heads are there to run their department and if they can utilize their employee to improve their department I think there is nothing wrong with it.

Mr. Clougherty replied as long as you are not providing in these two programs a mechanism so that one department can allow for an employee to get something better than somebody else. They are two separate purposes. If you want to have departments have funds or have a separate fund available to make dollars generally available to their employees that is not what you have done. You have two separate policies here and we follow them as two separate circumstances. If you don't want to do that then rescind your policy and rethink how you want to have that done. I think as I said earlier that moving forward the policies that were set are very clear. One is for tuition assistance and one is for staff development. They are two separate things.

Alderman Osborne moved to receive and file.

Alderman Shea stated I am not quite sure whether we want to keep it...

Chairman Smith interjected do you want to table it and bring it back for further discussion. Kevin, did you ever meet with the Chief Negotiator? I know you have different contracts in the different unions. Have you sat down with him?

Mr. Clougherty responded yes we met and we have obviously different opinions on this. We did not come to any conclusions. There was disagreement on our accounting approach and theirs. That was a couple of weeks ago and given the vacation schedule we have not had another meeting. I would be happy to get back together with them and the Mayor.

Alderman Shea moved to receive written material as a result of the meetings that you have so we can analyze it and decided on whether to change the policy.

Mr. Clougherty stated if you want to table this I will come to the next meeting with several specific examples of what I have been told are the problems and we will put them up on the screen and show you the difference and if you have those forms in front of you that might help you to understand a little better the difference between the programs. We would be happy to do that.

Alderman Shea stated and if you were to meet their would be rebuttals on the part of the others so we would have a...

Mr. Clougherty interjected at that point you will have okay here is Example A, here is problem A and we will bring in that information. We will bring in the ones we are aware of and you will be able to see the transaction and stuff in front of you.

Alderman Shea moved to table. Alderman Osborne duly seconded the motion. Chairman Smith called for a vote. There being none opposed, the motion carried.

There being no further business, on motion of Alderman Shea, duly seconded by Alderman Osborne it was voted to adjourn.

A True Record. Attest.

Clerk of Committee